

Child Care Business Exchange

TENNESSEE CHILD CARE FACILITIES CORPORATION



February 2007

The Tennessee Department of Human Services

Volume 4 No. 1

Tennessee Child Care Facilities
Corporation Board of Directors

The Star-Quality Program: The Business & Economic Impact

by: Kathy D. Quillen, Program Coordinator - UT SWOOPS
School of Social Work Office of Research and Public Service

Phil Bredesen

Governor

Tam Gordon

Special Assistant

Virginia T. Lodge

Commissioner, Tennessee
Department of Human
Services

Deborah Neill

Director, Child Care, Adult
& Community Programs

John G. Morgan

Comptroller of the Treasury

Faye Weaver

Staff Assistant

Steve Adams

Treasurer

Janice Cunningham

Executive Assistant

Mathew Kisber

Commissioner, Tennessee
Department of Economic/
Community Development

John Birdsong

Director, Tennessee Title VI
Compliance Commission

Dianne Stokely

Lillie M. Chism

Latrisha Stewart

Maxine Creech

≈

**Carolyn Stafford-Designer/
Editorial Production**

The Star-Quality Program has various implications for child-care as a business that should not be ignored. The criteria of the Star Program are above the licensing requirements mandated by DHS and might therefore increase costs for directors both in planning and actual fiscal budgeting.

First, the standards for employees are raised significantly from the one-to three-star components. For example, a director/operator who hopes to attain a three-star rating for Professional Development must have 50 percent of staff with a combination of experience and schooling that is beyond the State requirement. This combination can range from having two years experience in child-care and an associate's degree, to having a bachelor's in a child-care-related field, to possessing four years of experience and currently being enrolled in training. Because training and education are ongoing and progressive, directors should calculate the expense of further training staff for which the centers must pay. Moreover, since these trainings are commonly held weekends and evenings, staff will have to be compensated for their time.

As a result of the Professional Development component, employers would ideally seek staff with education beyond high school. However, they should be aware that higher educational backgrounds generally demand higher salaries. Education can result in turnover since staff will often seek administrative positions as they become more educated and feel over-

qualified for their initial hiring positions. Compensation and duties should, therefore, be structured so that responsibilities and pay increase with education. The benefit is twofold. The employee will have a frame upon which to plan future educational goals, and the employer will have a quality employee with star-eligible credentials on staff.

Staff Compensation is another facet of the Star-Quality Program that must be calculated into the business' future budget. Although there is no such licensing requirement by the State, if a director hopes to attain one to three-stars, she must offer up to four staff benefits. These benefits range from free/discounted child-care to employees, monetary bonuses, paid leave, insurance, retirement funds or flextime.

A further aspect of the assessment program focuses on the types and numbers of particular toys and materials available for children. Consequently, more money might have to be allocated to equipment with features that might not have been considered pre-assessment. Sand and water tables, height appropriate chairs and tables, and dolls that represent diverse cultures can be very expensive. On a positive note, while initial outlay may be more, the return on investment will probably save the agency future repairs and/or replacement; or at least delay them.

There is no doubt that all, if not most, providers will strive to be three-star providers. On the whole, parents



John Garnett, Executive Director
Tennessee Child Care Facilities Corporation

TCCFC Partnership & Program Service Expansion

Tennessee Child Care Facilities Corporation over the years has developed a networking system that includes partners from the business sector, local community-based organizations, churches, local, state and federal government agencies, business professionals, universities, and colleges. These relationships have helped TCCFC to remain relevant and provide needed program services to the child-care community.

More importantly, child-care operators in the industry face greater challenges to succeed than ever. Today's managers have to be multi-task oriented to maintain or become a quality program, meet licensing standards, achieve Star Quality Program goals, operate and manage the business success-

fully, and meet parent demands for more program accountability. Therein exists a plethora of business and management-related issues that early childhood programs have to address on a day-to-day basis. TCCFC recognizes these challenges and, as a result, has expanded its partnership and program service efforts.

In the coming months, TCCFC will provide more opportunities for administrative, small business development and management training, technical assistance, one-on-one counseling, and referral services. In today's world, the question is not whether change will occur. Instead, the issue is how will directors deal with the inevitable barrage of changes in an

attempt to keep programs viable and prepare children for school ready to learn. In the publication *Blueprint for Action*, written by Paula Jorde Bloom and others, Hersey and Blanchard (1982) states, "although change is a fact of life, if managers are to be effective, they can no longer be content to let change occur as it will. They must be able to develop strategies to plan, direct, and control change."

We look forward to the expansion initiative and providing additional services to the child-care community.



Spanish for Teachers-- A Must for Early Childhood Professionals

by Dr. Roberta J. Wilburn, Ed.D.
Professor of Early Childhood Education

Early childhood is a critical educational period in the life of a child because it lays the foundation for all future learning. Like a house, children must have a solid educational base if they are going to stand and weather the many storms of life. Without a solid early education many children will not enter school ready to learn. Many of these children will struggle in early elementary school, and, by the time they leave, they may be so turned off by school that they regularly express a genuine dislike for school and may do anything they can to avoid it. As these children approach middle school, children who lack a solid early childhood foundation often become discipline and truancy problems or may have already been diagnosed and labeled as a special education student. By the time these children enter high school, many of them are significantly lagging behind in most of their academic subjects, and find it difficult to keep up with the demands of an increasingly standards-based educational system and the associated mandatory state required tests such as Gateway and TCAP. The increasing difficulty to "keep up" and "fit in" is a prime reason why high school students drop out, become juvenile delinquents, and become a burden to society. What we do in early childhood **DOES MAKE A DIFFERENCE!!!**

Early childhood education also is a critical time for language development and the acquisition of foreign languages. Across the world, children learn more than one language. I was amazed when I visited Senegal in West Africa, and I stayed with a family

that had two preschool children who, in addition to speaking their native language of French, were also learning English.

The State of Tennessee is one of the states with the fastest growing Hispanic population. Historically, the Mid-South region-and specifically Memphis, Tennessee-has been known for its clear-cut racial divide; pre-dominately populated by European-Americans and African-Americans. However, the demographics in this region have been rapidly changing with a significant influx of Latinos. Currently, there are more than 118,000 K-12 students in the Memphis City School system. Of that number, 87% are African-American, 9% are White and between 2-3% are Latinos. Although this number may seem small compared to the number of African-Americans, it has in a very short time almost reached half the number of whites in Memphis, and we know that the Latino population is continuing on a rapid growing curve.



What can we do to address the needs of this growing Hispanic population that will have an ever increasing presence in our centers and early childhood program? We have to begin to train our teachers and other school personnel how to bridge the language and cultural gap with the Hispanic children and families that we must serve. LeMoyné-Owen College has begun to address this issue by developing a series of courses and workshops that are designed to help teachers, early childhood professionals, and other school personnel to

become more effective in working with Hispanic children and their families.

One of the courses that is growing in popularity is Spanish for Teachers. This course focuses on the conversational Spanish needed to communicate effectively with children and parents. It is practical and tailored to child-care centers and schools to interact with Hispanic families with appropriate cultural sensitivity. The terms and phrases taught reflect what is needed in educational environments. This enables teachers and child-care providers to quickly grasp and retain the information longer because it is relevant to their professional lives.

Business Leaders Rate Education High

ExchangeEverDay
Eileen Caddy

Preschool Matters (March/April 2006; www.bueer.org) reported on a survey of 205 senior executives of Fortune 1,000 companies where respondents viewed prekindergarten as essential to a better-educated workforce. Some key findings: 63% favored active support for universal preschool programs by the business sector; 49% said the level of workers' skills had decreased over the last ten years; 54% anticipate difficulty in finding enough educated and skilled workers to fill jobs in the future; 38% said American firms already are at a disadvantage when compared to foreign firms based on workers' education; 34% said their companies currently are recruiting candidates outside the United States to fill jobs requiring special skills or education; 83% rated the importance of a skilled workforce as "very high" if the United States is to remain globally competitive; 81% said public funding of voluntary prekindergarten for all children would improve America's workforce.

Business Section

Why am I always so short of cash, even though I'm selling more than ever?

Dr. Patrick Geho *Tennessee Small Business Development Center - MTSU College of Business*



The quick answer is that you are so short of cash BECAUSE things are going so well with your business. While this may sound impossible, rapid growth often causes a cash strain on your business.

A growing business can be called a "cash sponge." The demands of increasing sales, support services, inventory, labor costs, etc. can rapidly soak up all those extra dollars a business manager expects to see flowing in when the sales numbers are rising. Not only does the business have to invest more resources in inventory and labor, but receivables typically grow along with sales. So, while you are getting busier and busier, you have more and more tied up in receivables.

For example, if you are able to turn your inventory over five times in a year, you would need an inventory level of approximately \$20,000 to support sales of \$100,000. If sales grow to \$125,000 then inventory levels would probably need to rise to \$25,000. The demands on the business infrastructure and staff may require overtime from the present staff or the hiring of more employees. In addition to the increased wages, other costs (unemployment taxes, workers' compensation, employer's portion of

social security payments, supplies, freight, etc.) also rise. While these costs are all expected, if you sell on terms other than COD, your receivables will also increase from perhaps \$12,500 to roughly \$15,600 assuming a constant average receivable period of 45 days. The net results is that your sales are up, but you are "lending" about \$3,000 more to your customers while investing something in excess of \$5,000 more in your business. This \$8,000 to \$9,000 may represent all or more than the extra profit from your increased sales. Faster sales of growth and/or lower rates of inventory turnover produce even larger effects meaning that the cash demands of growth exceed the cash supplies from that growth. These increasing net cash demands are continuous for as long as the business is growing. If sales become steady, then the extra profits begin to emerge as extra cash since the costs and receivables levels also stop growing.

So, how does a business finance growth? There are only two basic sources of financing--externally generated funds and internally generated funds. External sources are the ones we all think of when it's time to raise money and include more investment from the present ownership, bringing others in as investors, borrowings in the form of loans, or by increasing your obligations to vendors (accounts payable).

The only true long-term internal source of funds is profit. The business manager must be constantly vigilant in maintaining profit margins by watching both pricing and purchasing. However, most businesses are not able to make as high a percentage profit as would be needed to provide all the funds necessary for rapid growth. So, growth must occur

at a controlled rate or the management must find more external capital. If profits are not constantly generated, the implications for business longevity are pretty clear. Several mature businesses complain of "being undercapitalized and if they could just get a loan, or come up with an investor, they "would be all right." After digging a bit deeper, it is often the case that a more than adequate amount of capital has been invested, but the company has not been generating profits for such a long time that it is, in effect, consuming its capital in supporting the present operations. As an excuse for business difficulty or failure, "under capitalization" ranks right up there with "poor management" as being one of those catchall terms which is often used when one is unsure what's wrong.

As the investment in machinery, equipment, and inventory rise, so too must the amount of permanent capital generated by or invested in the business rise. Even with seasonal or cyclical fluctuations, a growing business generally has growing demands for permanent capital. There is an old rule of business finance that advocates matching the length of financing of an asset to the useful life of that asset. It is very dangerous to attempt to finance long-term capital needs with short-term capital sources. The manager who uses a short-term loan or, worse yet, line of credit to finance permanent increases in inventory or the purchase of equipment, is virtually guaranteeing a future cash crisis. Short-term sources of financing should be used only for the purchase of short-term assets like that portion of inventory that is truly seasonal and will, therefore, be sold during the term of the financing.

Herzberg's Dissatisfiers

ExchangeEveryDay, E. M. Foster

Herzberg was one of the first of what we now call Organizational Development researchers and, building on the work of Maslow, found there were a few key factors that worked to enhance peoples' satisfaction at work. These included:

- **Feeling a sense of accomplishment,**
- **Receiving recognition,**
- **Finding work challenging and creative,**
- **Assuming responsibility, and**
- **Advancing and earning promotions.**



But Herzberg's study has another important message to early childhood directors. He also found that there were four powerful dissatisfiers that could undermine one's program if they were absent or not acceptable.

The dissatisfiers are:

- **Policies and Administration** - If employees view the management or administrative structure as unfair and/or inefficient, morale is significantly reduced. All employees want to believe that their hard work and

caring is being matched by the efforts of those at the top of the organization and that they will get the support they need in carrying out the mission of the program.

- **Supervision** - The employees' perception of their supervisor is in fact more significant than the accuracy of that perception. If they see their supervisor as arbitrary, unfair, and/or incompetent, it will have a profound effect on their attitude about work. They will be significantly less satisfied at work if the supervisor is perceived as unappreciative, inflexible, and dishonest.

- **Working Condition** - This includes both the physical environment and the workload! People do work better in attractive environments, where they have at minimum adequate lighting and ventilation and feel their workplace is safe and attractive. We probably spend far too little time on children's aesthetic education to begin with. Too many environments are cluttered and crowded. As for workload, when teachers have too many children to supervise, they simply can't teach and move into disaster prevention mode.

- **Salaries** - When salary increases are perceived to be inadequate or distributed unfairly, resentment can build quickly. All employees need to understand the salary structure and believe it is justified.

Are Background Checks A Concern For You?

Traditional work ethics are back as employers search for people who are knowledgeable in their field. Characteristics, such as dependability,

personal appearance, positive attitude, good communication skills, strong organizational skills, and effective problem solving skills, are very important to employers. Strong employee candidates do exist; often, young and old adults who have made mistakes in the past are doing the right thing to live a better life in the future.

Many students are enrolled in our high schools, technology centers, colleges, and universities. Students typically earn good grades, are model students, and do well with communicating with others; however, when they enroll in a practicum or receive a job offer or prepare to graduate, past experiences come back to haunt them as they are faced with the requirement of the dreaded background check.

Students must assume personal responsibility and take care to make good decisions throughout life. Decisions made today will impact your opportunities in the future. Background checks are a part of life since most employers now require them. If you need information or help to get you started in the right direction (or to possibly clear your record), visit the website <http://www.nashville.gov> and select "police department" from the department pull down menu. You can also visit the website <http://www.tennesseeanytime.org> or call 862-5602. Our community needs young and old adults to get jobs and become productive citizens. Be proactive and avoid excuses.

Every problem does need to be solved.
Michael Owen

Mistakes are a fact of life. It is the response to the error that counts.
Nikki Giovanni

Melanie R. Brooks,
Associate Instructor
Early Childhood Education
Tennessee Technology Center at Nashville

The Tennessee Small Business Development Center



If you are a small business owner or entrepreneur or you are thinking about starting a new business, the Tennessee Small Business Development Center (TSBDC) is here to help you every step of the way!

The TSBDC is a network of professional business consultants with 12 centers and two satellite offices in 14 cities throughout the State of Tennessee. TSBDC prides itself on providing expert business advice to all types of businesses whether you are a manufacturer, retailer, service provider, or a professional; they are here to help professionals help themselves.

The Tennessee Small Business Development Center (TSBDC) offers free assistance to help business owners grow and develop successful, thriving businesses. We have 12 full service centers and two satellite offices across the State of Tennessee, along with several smaller affiliate offices, ready to serve the small business community.

More than 79,000 businesses, just like yours, have received TSBDC's expert counsel in the following areas...

• Accounting	• Employee Relations	• Public Relations
• Banking	• Finance	• Sources of Capital
• Expansion	• Management Operations	• Sales Training
• International Trade	• Advertising	• Marketing
• Location Analysis	• Tax Planning	

This is just a sampling of some of the cutting edge services provided by the TSBDC.

They recognize that, whether you are a start-up or an existing business, you face unique challenges exclusive to your industry. Explore the Web page and start discovering the many professional solutions available to your business and for your unique situation.

Stop worrying whether you can afford these cutting-edge professional services provided by the TSBDC. Everything is provided free! All of the one-to-one counseling and all of the wonderful services described are

provided to your business at no cost. Some of our professional training seminars do have small fees for attendance.

Why Wait....

Talk to the Service Center nearest you as we serve both rural and metropolitan areas.

They are certain you will be impressed with the extraordinary personal attention you will receive from any one of their consultants.
www.tsbdc.org





The Family Business

by **Jim Casey, Director**

Tennessee Small Business Development Center

Some of the counseling jobs we face daily here at the Small Business Development Center involve businesses, which are run and populated by members of the same family. Management of a family business presents a number of challenges not usually found in other small businesses because decisions have to be made based not only on the basis of good business judgement, but also keeping in mind how they will affect the family unit.

In a public company, decisions can have only two possible consequences: They can be either good for the business or bad for the business. In a family business, the same conditions can have four possible consequences. They can be good for the company and good for the family. They can be good for the company and bad for the family. They can be bad for the company and good for the family. Worst of all, they can be bad for the company and bad for the family. Persons in a family business are quite often torn between their roles as family members and their roles as business professionals. To be successful, the family business needs a decision process that promotes decisions that are in the best interests of both the family and the business.

One way to promote a good decision making process is to establish a “family counsel.” Such a counsel can be formal or informal in nature but should promote an atmosphere where all family members have an opportunity to express themselves and to voice their opinions about issues of importance. Issues which need to be addressed include: the employment opportunities for family members, the criteria family members must meet to be eligible to work in the business, the mission of the business, a strategic plan, or even a code of conduct or ethics.



One difficult issue that family businesses commonly face is that of succession. Failure to plan well for the transfer of control and authority from one generation to the next can result in a leadership vacuum. This can prove fatal to any small business. If a qualified successor is available, then training of this individual is absolutely essential. If one is not available, the family unit has to face the possibility of selling the business or of bringing in professional management. The joys of a family business are great. The chance to work toward a common goal as a family unit is almost godly in nature. All of this makes it worthwhile to have a plan and an organizational structure that will allow the business to grow, prosper, and endure the test of time.



2006 National Geographic - Roper Survey of Geographic Literacy and the Launch of My Wonderful World Campaign

www.mywonderfulworld.org

In the latest poll conducted by National Geographic, six in 10 young adults 18-24 years of age could not find Iraq on a world map, one-third could not find Louisiana, and almost 48 percent could not find Mississippi on a map of the United States. On a more practical level, given a map of a hypothetical place and told they could escape an approaching hurricane by evacuating to the northwest, one-third would travel in the wrong direction.

“Geographic illiteracy impacts our economic well-being, our relationships with other nations and the environment, and isolates us from our world,” said John Fahey, National Geographic Society president and CEO. “Geography is what helps us make sense of our world by showing the connections between people and places. Without geography, our young people are not ready to face the challenges of the increasingly interconnected and competitive world of the 21st century.”

The Star-Quality Program (cont.)

will seek out the programs because they are deemed best in their class. Yet, directors will have to be conscious of the implications of their enrollment and the capacity that needs to be maintained for the center's expenses to be met. Ratios for the Star Program are more stringent than required by State licensing. To attain one star for the Ratio and Group Size component, centers must have one less child in the toddler and 2- and 3-year-old rooms, than required by licensing. To attain a three-star rating, school age groups might be reduced by up to six children in addition to the reductions in younger age rooms.

There is certainly no disputing that decreased ratios are positive in terms of the increased time and attention that teachers can give to individual children. Realistically, however, centers will have to account for the lost fees from reduced ratios, which are usually absorbed by remaining parents in the form of increased rates. This is never a popular option. Directors should be aware of average fees in the area and the amount of the increase before implementing it, lest they run the risk of pricing themselves out of the market in which they operate. After calculating the

financial impact, directors should also remember that parents generally have more than one child who attends a center. If that center does not have space for one child, the parent will usually not enroll the other. Since this cannot feasibly be forecasted, directors should ensure that they have enough financial "cushioning" to still meet fiscal responsibilities in the face of a decrease in overall enrollment.



Coming Soon

5TH ANNUAL LEADERSHIP CONFERENCE

JUNE 22 - 23, 2007

MEMPHIS, TN

STAY IN TOUCH WITH TCCFC

1-888-413-CCFC (2232)

Fax 1-615-532-9235

John.Garnett@state.tn.us

Carolyn.Stafford@state.tn.us



Tennessee Department of Human Services, Authorization No. 345729, April 2006, 1000 copies. This public document was promulgated at a cost of .02 cents per copy.